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SUBJECT: AMBASSADOR GOLDBERG DELEGATION MEETINGS IN MOSCOW
ON IMPLEMENTATION OF UNSCR 1874

Classified By: CDA Eric Rubin for reasons 1.4 (b) and (d)

11. (C) Summary: Russian Foreign Ministry and financial officials, including Deputy Foreign Minister Alexei Borodavkin, assured Ambassador Philip Goldberg and his delegation that Russia fully supports United Nations Security Council Resolution (UNSCR) 1874 and was already taking measures regarding its implementation. Six-Party Ambassador Logvinov said that the MFA was consulting with ministries in order to get approval for a Presidential decree supporting its implementation. Ambassador Goldberg and the delegation underlined to their GOR interlocutors the importance of fully implementing the new resolution, stressed the need to cease doing business with UN-designated North Korean individuals and entities, urged strict vigilance and transparency in conducting financial transactions with North Korean financial institutions, and shared cleared intelligence on specific entities thought to be facilitating transactions related to North Korea's weapons programs and luxury goods procurement in violation of UN sanctions in Russia or via Russian banks.

12. (SBU) Ambassador Philip Goldberg, U.S. Coordinator for Implementation of UNSCR 1874, led an interagency team, including Treasury Deputy Assistant Secretary Daniel Glaser, on a visit to Moscow from August 3-5, where the delegation met with senior GOR officials from the Ministry of Foreign Affairs (MFA), the Ministry of Finance (MinFin), the Central Bank of the Russian Federation, and the Russian financial intelligence unit (Rosfinmonitoring) to consult on the implementation of UN Security Council Resolution 1874 regarding North Korea. Glaser also met separately with the head of Rosfinmonitoring, the heads of two Russian banking associations, and a private bank (Sberbank).

13. (SBU) Participants:

UNITED STATES

AMB Philip S. Goldberg, U.S. Coordinator for Implementation of UNSCR 1874

Daniel Glaser, DAS, Department of the Treasury

Charles D. Lutes, Director for Nonproliferation, NSC

Mauricio de la Cruz, DNI, Office of the North Korea Mission Manager

Jennifer Fowler, Department of the Treasury

Richard Johnson, EAP/K

Mike Carver, Embassy Officer

Inna Bashina, Interpreter

RUSSIA

DFM Alexei Borodavkin, MFA

AMB Grigory Logvinov, Ambassador-at-Large and Deputy Head of Delegation for the Six-Party Talks, MFA

Oleg Davydov, Deputy Director, First Department of Asia, MFA

Alexander Deineko, Desk Director, Department of

Nonproliferation MFA
Alexander Shilin, Counselor, Department of Nonproliferation,
MFA
Anna Evstigneeva, Second Secretary, Dept. of International
Organizations, MFA
Alexander Korshunov, Adviser to First Deputy Chairman,
Central Bank of Russia
Anatoly Primakov, Federal Financial Monitoring Service
(Rosfinmonitoring)
Pavel Chernysev, Deputy Head of International Cooperation
Division, Ministry of Finance
Elena Ischchenko, Financial Monitoring and Currency Control
Department Director, Central Bank
Garegin A. Tosunyan, President of the Association of Russian
Banks
Anatoly G. Aksakov, Association of Regional Banks

End Summary.

DFM Borodavkin Says Implementation "Absolutely Essential"

14. (C) During a small meeting with Ambassador Goldberg, Deputy Foreign Minister for Asia Alexei Borodavkin said that he was both satisfied with the cooperation between the GOR and USG during the negotiation of UNSCR 1874 and on the agreement to designate goods, entities, and individuals subject to sanctions under UNSCR 1718, adding that Russia was ready to cooperate on implementation. He stressed that implementation in Russia was "absolutely essential" and would be "consistent and transparent," as agreed in the recent G-8

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statement. Pyongyang had felt the impact of the sanctions already, Borodavkin remarked, pointing to the case of the North Korean vessel Kang Nam 1 as a "trial of our commitment to the resolution." Even though he thought the ship was a decoy, the vessel's inability to find a friendly port and subsequent return to the DPRK showed that the international community would do "what it required." Burma reacted "rapidly and constructively" following U.S., Russian, and other diplomatic outreach to ensure that the ship would not escape inspection there. Goldberg put across the message that the UN resolutions, tools were "a means to an end" - with the ongoing goal of the complete and verifiable denuclearization of the Korean Peninsula. A heightened awareness of transactions with North Korea was absolutely called for, he said. Borodavkin agreed and stated that the relevant government agencies had been informed about their obligations and that now the MFA was working on a piece of legislation, in the form of a presidential decree, for this. Asking about the ultimate resolution of the situation, Borodavkin expressed support for the Six-Party Talks and asked whether the USG would eventually accept North Korea's offer of bilateral talks. Goldberg emphasized that the USG wanted a return to the Six-Party Talks, but that the United States could hold bilateral discussion with the DPRK within the context of the Six-Party Talks.

15. (C) Borodavkin expressed no disagreements with anything Goldberg said, but he had a few points to stress as well. He stressed Russia's view that unilateral sanctions would not be conducive to persuading North Korea to resume negotiations and could even undermine the image and authority of the Security Council itself. Borodavkin made clear that there should be no attempts to go beyond the sanctions described in the resolutions. He recommended that all sides stress to North Korea that these sanctions are not "eternal" and could be removed when North Korea complied with the resolution, adding that sanctions should not damage the humanitarian situation in North Korea. Finally, he highlighted that UNSCR 1874 implementation should avoid any possibility of conflict or use of force, mentioning inspections on the high seas as particular cause for concern and concluding that each side must exercise restraint. He also said Russia remained interested in hearing U.S. views on "terms of engagement" for

dealing with inspections at sea. As a side note, Borodavkin opined that he thought Japan sometimes overreacted to DPRK actions and he hoped that Japan would not introduce any unilateral sanctions beyond those agreed in the UNSC.

MFA Actively Engaged in Implementation

¶16. (C) Ambassador Goldberg and the full delegation had a fruitful discussion about UNSCR 1874 implementation with a group from the MFA headed by Ambassador-at-Large for Six-Party Talks Grigory Logvinov. Logvinov opened the meeting by stating that the North Korea nuclear situation was one of the most acute international issues, which would help determine the future of the nonproliferation regime and would have an impact on the UN Security Council. Calling the resolution "one of the strongest, if not the strongest, in history," Logvinov stressed that Russia had worked very closely on drafting UNSCR 1874 and was now eager to implement it "from A to Z." He stated that Russia had already provided to the UN Security Council an interim report on its implementation of the resolution. Russia was now in the process of developing a presidential decree to enshrine the resolution's measures into Russian law, though this would take some time, probably "more than a few weeks."

¶17. (C) Logvinov said that the most important measures of the resolution were the financial measures, given that North Korea's largest source of income is from the arms trade. He noted that North Korea's arms trade was now absolutely prohibited and that Russia never sold and would not in the future sell arms to the DPRK. Logvinov said that while the situation was "quite fragile" on the Peninsula, China had told Russia it perceived tensions to be dissipating. He added that the Chinese position on implementation was "reasonable," articulating it by saying that member states should fulfill parts of the resolution where there was "clear direction," but that in areas where the resolution was unclear or allowed for flexibility, member states should "abide by the situation and look at the circumstances" before implementing measures.

¶18. (C) Goldberg stressed at all of his meetings that the USG

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viewed the UNSCR 1874 implementation process as "integrated," explaining that sanctions were being used as leverage to demonstrate to North Korea in a unified way that the only viable path forwards was a return to Six-Party Talks along with compliance with all UNSC resolutions and meaningful and irreversible steps towards abandoning its nuclear weapon program. Logvinov agreed, stating that the "key goal (was) the denuclearization of the peninsula."

¶19. (C) Noting that the stick was quite clear and would inevitably have an impact, Logvinov said that the carrot was another issue; he suggested putting less emphasis on economic assistance and shifting more towards providing security assurances in the Asia-Pacific region. Logvinov worried that a focus on economic assistance could "commercialize" membership to the Nonproliferation Treaty. He also came back to DFM Borodavkin's concerns about inspections on the high seas and their potential to cause conflict, but Goldberg reiterated that the UNSCR did not authorize force and explained that the focus was on inspecting ships at port rather than at sea.

¶10. (C) Echoing previously stated concerns about the possibility of additional sanctions, Logvinov opened a second day of meetings, which included representatives from Rosfinmonitoring, the Central Bank and Finance Ministry, by asking for clarification of an unknown, web-based news article he had just read claiming that the USG supported more sanctions on North Korea. Goldberg replied that the source was in error. He explained that journalists sometimes confused designations with sanctions. UNSCR 1874 allows for

additional designations of people and entities, he said, and some journalists did not differentiate between additional designations and additional sanctions. Logvinov was satisfied with that answer.

Economic and Financial Sanctions

¶11. (S) Goldberg and the delegation stressed the importance of "heightened scrutiny" in economic transactions with North Korea with both the MFA panel mentioned above and with the expanded panel of officials from the Central Bank of Russia, the Ministry of Finance, and the financial intelligence unit, given the difficulty in distinguishing between licit and illicit transactions when they involve North Korea. Deputy Assistant Secretary of the Treasury Glaser presented the U.S. perspective on implementation of specific financial provisions of UNSCR 1874, explaining that these provisions built upon existing international anti-money laundering standards, the financial provisions contained in earlier North Korea-related resolutions, and longstanding concerns about the illicit finance risks posed by North Korean individuals and entities. He highlighted language in the document that called for enhanced monitoring of all financial transactions with North Korean entities and stressed that UNSCR 1718 required freezing assets not only of the named entities but also of any entity owned or controlled, directly or indirectly, or acting on behalf of or at the direction of the named sanctioned entities. He shared the names of some persons/entities suspected of operating in Russia, sometimes working through Russian financial institutions (see para 12), to facilitate North Korean proliferation activities or luxury goods procurement, in violation of UNSCRs 1718 and 1874. Glaser also described deceptive practices that North Korean entities have used to evade sanctions, including stripping names off bank transactions, frequently changing the names and/or locations of front companies, and not disclosing adequate information about business transactions.

Rosfinmonitoring

¶12. (S) Prior to meetings with the MFA panel and broader Russian interagency, Glaser met separately with the head of Rosfinmonitoring, Yuri Chicanchin, for a detailed discussion on implementation of the resolution's financial measures. Glaser presented the U.S. perspective on implementation of the financial measures, including reviewing the June 18 U.S. advisory to financial institutions on the issue. Glaser also passed specific information regarding entities conducting activities in Russia that potentially violate UNSCRs 1718 and ¶1874. This included information regarding Russian financial institutions Sberbank, Primotsbank, Far Eastern Bank and Far East Commercial Bank, as well as Russia-based entities

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providing reinsurance to the Korea National Insurance Corporation (KNIC), which has been linked to luxury good procurement. Chicanchin responded that he agreed that it was important for the UNSCRs to have a practical implementation, and committed to pass the U.S. advisory to Russian financial institutions and to work with Russian financial institutions on enhancing their internal controls and procedures with respect to transactions involving North Korea. Chicanchin also committed to follow up with the specific Russian financial institutions included in the information Glaser passed to him, saying that he had already made contact with Far Eastern Bank and the FIU had done a check of the bank's transactions involving North Korea and would take similar steps with the three other banks. Chicanchin emphasized that Russia was in a difficult position with respect to North Korea-related transactions because of the large Korean community in Russia, the large number of cash transactions in Russia and because Russia was often a "transit point" for North Korea-related transactions. As a result, it was

difficult for banks to know the entities or persons involved, and the transactions, "routes" were often convoluted (e.g. they originate in Africa or the Middle East and transit third countries before ending in North Korea). Chicanchin emphasized, however, that the Rosfinmonitoring would be closely monitoring North Korea-related transactions where they are able to detect them.

Sberbank, Banking Associations

¶13. (S) Glaser also met separately with Sberbank Deputy Chairman of the Board Alexander Govorunov. Glaser explained guidance that the United States has given its financial institutions regarding implementation of UNSCRs 1718 and 1874 and urged Govorunov to ensure that Sberbank takes steps to subject any North Korea-related transactions to enhanced scrutiny to avoid violations of the resolutions. Glaser also shared declassified information regarding possible luxury goods procurement-related transactions involving Sberbank. Govorunov said that, prior to the meeting with Glaser, he investigated whether Sberbank has North Korean customers or transactions and determined that the Sberbank's central head office has no relations with North Korean companies, other than two dormant accounts. He said he hoped to receive additional guidance from Russian authorities, which he would implement and that he shared U.S. concerns about the dangers of North Korea-related financial activity and welcomed any additional information that could be provided to help identify that activity. In addition to the meeting with Govorunov, Glaser met with the Chairman of the Association of Russian Banks Tosunyan and Association of Regional Banks President Aksakov. Glaser shared with them Treasury's guidance about dealing with North Korean entities, and both said they would share the information with their membership, with Aksakov indicating that he planned to have it translated into Russian so that it could be posted to his association's website in both Russian and English.

Inspections

¶14. (C) MFA Nonproliferation Desk Director Alexander Deineko explained that inspections would be an "issue" for Russia, since its participation in the Proliferation Security Initiative (PSI) was quite limited. Deineko said that there was no "definitive source" in international law about written procedures for inspections on the high seas on the basis of suspicion of carrying WMD. NSC Director Lutes responded that "transparency" was the key aspect to any inspections regime, adding that inspections can occur not only of maritime shipments, but with air and land shipments as well. Lutes agreed that the high sea was not the best place to inspect cargo, due to the dangers of two ships being in proximity, as well as the lack of authority to use force in UNSCR 1874. There were certain procedures, however, that could take place, including a "hail and query" to try obtain information or a consensual boarding granted by the ship's master or the flag state. If the master or flag state refused, the ship could be directed to a nearby port for inspection pursuant to the resolution. Lutes added that the UN Panel of Experts created by UNSCR 1874 could investigate and recommend better protocols on inspections, particularly in port.

¶15. (C) Logvinov asked about the difficult case of a DPRK-flagged vessel that refused inspection or diversion to port. Lutes said that, at the very least, the refusal would

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be reported to the UNSC. Goldberg added that the case of the Kang Nam 1 proved that diplomatic outreach could help avoid this situation by making sure the ship had no friendly port. On that note, Logvinov stated, based on FM Lavrov's meetings with the Burmese, his view was that Burma was now committed to implement the resolution and that it "did not want to get dragged into DPRK issues." Logvinov reiterated Borodavkin's

view that the Kang Nam 1 was likely a decoy to test how the international community would react and to provoke the United States to act and possibly discredit it.

¶16. (C) At one point in the dialogue, Logvinov pointed out that the GOR estimates North Korea,s rice crop this year to be four million tons or so. Since North Korea,s "survival level" for grains is about five million tons, he fully expected North Korea to need to import hundreds of thousands of tons of rice.

¶17. (U) This cable was cleared by the members of the Goldberg delegation.

RUBIN